

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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Docket No. MC98-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE
(USPS/OCA-3-4)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate: USPS/OCA-3-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

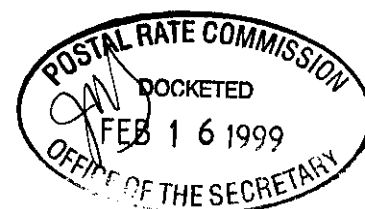
By its attorneys:

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February 16, 1999



USPS/OCA-3

On pages 6 and 7 of the Office of the Consumer Advocate Response to Issue No. 5 of Notice of Inquiry No. 1, filed February 8, 1998, the OCA quotes Postal Service witness Baumol and OCA witness Sherman from prior proceedings. In footnote 16, the OCA states that "it must be conceded that witnesses Baumol and Sherman did not testify that common fixed costs ought to be included in the cost base of a class and marked up." The footnote then goes on to state that "if one looks as [sic] the overarching meaning of their remarks, it becomes clear that the most equitable treatment for fixed costs incurred by only a small subset of classes is to make that cost part of the attributable cost base and mark it up."

- (a) When the OCA states "make that cost part of the attributable cost base and mark it up," does this statement apply to the attributable cost base of the group of products, or to the cost base of each of the products individually?
- (b) If the common cost is applied to the cost base of each of the products individually, is the entire common cost applied to the cost base of each product? If not, how is the common cost applied?
- (c) Assume that a common cost is incurred for two products A and B. Does the OCA's statement that this common cost should be made part of the attributable cost base and be marked up mean that the common cost should become part of the attributable cost base of products A and B together, or of A individually and B individually?
- (d) In footnote 16, the OCA states that "a meaningful contribution to institutional costs can only be ensured by marking up the specific fixed cost (or joint fixed

costs) of the small subset of classes." Does this mean that the cost should be marked up for the subset of classes as a group, or that the cost should be marked up for each of the classes individually? Please explain how this mark-up would work.

USPS/OCA-4

In footnote 16 on page 7 of the Office of the Consumer Advocate Response to Issue No. 5 of Notice of Inquiry No. 1, filed February 8, 1998, the OCA states that "it becomes clear that the most equitable treatment for fixed costs incurred by only a small subset of classes is to make that cost part of the attributable cost base and mark it up."

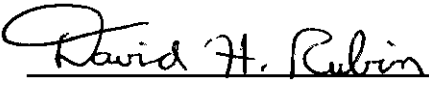
- (a) Please provide a more precise definition of a "small subset of classes"?
- (b) How many classes or services could be included in a "small subset of classes"? Please use exact numbers if possible.
- (c) Please explain why the quoted statement is conditioned on a "small subset of classes"?
- (d) Does the OCA agree with the following statement as well?

The most equitable treatment for fixed costs incurred by any subset of classes is to make that cost part of the attributable cost base and mark it up.

- (e) If the answer to part (d) is in the negative, please explain why this statement does not apply to any subset of classes.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


David H. Rubin

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